

CITY OF ELDRIDGE, IOWA

Independent Auditor's Reports
Basic Financial Statements
Supplementary Information
Schedule of Findings

June 30, 2008

CITY OF ELDRIDGE, IOWA

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CITY OF ELDRIDGE, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bradley J. Noel	Mayor	Jan 2010
Steve Mohr	Council Member	Jan 2010
Marty O'Boyle	Council Member	Jan 2010
Steve Puls	Council Member	Jan 2012
Brian Wood	Council Member	Jan 2012
Bernie Peeters	Council Member	Jan 2012
Kevin A. Kroeger	Utility Board Trustee	Feb 2010
Donald M. Stoltenberg	Utility Board Trustee	Feb 2011
John Powell	Utility Board Trustee	Feb 2012
Adrian Blackwell	Utility Board Trustee	Feb 2014
Michael E. Ripperger	Utility Board Trustee	Feb 2015
John R. Dowd	City Administrator	
Matt Van Waus	Assistant City Administrator	
Denise M. Benson	City Clerk	
Thomas R. Schirman, Jr.	City Attorney	
Brian Wessel	Public Works Director	
Martin J. Stolmeier	Police Chief	
David Engler	Fire Chief	
Myron K. Scheibe	City Engineer	
Bob Kuehl	Building Official/Inspector	
Dan Glunz	Utility Manager	
Pat Bredow	Community Center Manager	

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eldridge, Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009 on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 45 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Eldridge, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bettendorf, Iowa
March 26, 2009

Gabelmann & Associates, P.C.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

June 30, 2008

The City of Eldridge, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements.

2008 Financial Highlights

Revenues (net of transfers) of the City's governmental activities decreased 5.94%, or approximately \$204,000, from the prior fiscal year. Program expenses of the City's governmental activities increased 5.41%, or approximately \$263,000, over the prior fiscal year.

The City's net assets decreased 2.75%, or approximately \$1,652,000, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities decreased approximately \$7,163,000 and the net assets of the business type activities increased approximately \$5,511,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of the City of Eldridge, Iowa as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's nonmajor governmental and special revenue funds. In addition, the schedule of revenues by source and expenditures by function provides historical detail for the governmental funds over the last four years.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Reporting the City's Financial Activities

(1) Government-wide Financial Statements

The statement of net assets and the statement of activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The statement of net assets presents all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The statement of net assets and the statement of activities report two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.
- Business type activities include the water and electric utilities, sanitary sewer system, the community center and the fitness center. These activities are financed primarily by user charges.

(2) Fund Financial Statements

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. Governmental funds include the General Fund, the Special Revenue Funds, such as the Road Use Tax, the Sales Tax Projects, the Hotel Tax and the TIF Funds, the Debt Service Funds, the Capital Improvement Fund and the Street Projects Fund. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Reporting the City's Financial Activities, continued

(2) Fund Financial Statements, continued

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Proprietary funds account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the statement of net assets and the statement of activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund, Community Center Fund and Fitness Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Current and other assets	\$ 5,427,245	\$ 5,618,733	\$ 7,184,236	\$ 4,629,983	\$12,611,481	\$10,248,716
Capital assets	<u>15,008,684</u>	<u>16,884,316</u>	<u>44,007,204</u>	<u>40,605,679</u>	<u>59,015,888</u>	<u>57,489,995</u>
Total assets	<u>20,435,929</u>	<u>22,503,049</u>	<u>51,191,440</u>	<u>45,235,662</u>	<u>71,627,369</u>	<u>67,738,711</u>
Long-term liabilities	5,930,182	994,940	4,833,152	5,146,680	10,763,334	6,141,620
Other liabilities	<u>1,640,124</u>	<u>1,479,721</u>	<u>882,808</u>	<u>123,923</u>	<u>2,522,932</u>	<u>1,603,644</u>
Total liabilities	<u>7,570,306</u>	<u>2,474,661</u>	<u>5,715,960</u>	<u>5,270,603</u>	<u>13,286,266</u>	<u>7,745,264</u>
Net Assets:						
Invested in capital assets, net of related debt	14,298,102	15,996,615	39,323,225	35,590,679	53,621,327	51,587,294
Restricted	730,536	858,155	592,715	526,575	1,323,251	1,384,730
Unrestricted	<u>(2,163,015)</u>	<u>3,173,618</u>	<u>5,559,540</u>	<u>3,847,805</u>	<u>3,396,525</u>	<u>7,021,423</u>
Total net assets	<u>\$12,865,623</u>	<u>\$20,028,388</u>	<u>\$45,475,480</u>	<u>\$39,965,059</u>	<u>\$58,341,103</u>	<u>\$59,993,447</u>

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Government-Wide Financial Analysis, continued

Net assets of governmental activities decreased approximately \$7,163,000, or 35.8%. Net assets of business type activities increased approximately \$5,511,000, or 13.8%. The largest portion of the City's net assets was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, was approximately \$3,397,000 at the end of this year.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	June 30, <u>2008</u>	June 30, <u>2007</u>	June 30, <u>2008</u>	June 30, <u>2007</u>	June 30, <u>2008</u>	June 30, <u>2007</u>
Revenues:						
Charges for service	\$ 486,881	\$ 494,836	\$ 5,237,417	\$ 3,962,153	\$ 5,724,298	\$ 4,456,989
Operating grants and contributions	167,734	28,475	192	192	167,926	28,667
General revenues:						
Property tax levied for:						
General purpose	1,372,169	1,310,650	-	-	1,372,169	1,310,650
Debt service	51,912	51,927	-	-	51,912	51,927
Tax increment financing	256,816	333,971	-	-	256,816	333,971
Franchise tax	45,502	39,730	-	-	45,502	39,730
Road use tax	411,829	400,638	-	-	411,829	400,638
Local option sales tax	703,835	677,576	-	-	703,835	677,576
Assessments	7,601	12,403	-	-	7,601	12,403
Interest on investments	107,241	127,830	256,961	322,764	364,202	450,594
Transfers	(543,200)	(243,200)	543,200	243,200	-	-
Miscellaneous	164,202	201,665	114,693	49,125	278,895	250,790
Total	<u>3,232,522</u>	<u>3,436,501</u>	<u>6,152,463</u>	<u>4,577,434</u>	<u>9,384,985</u>	<u>8,013,935</u>
Program expenses:						
Public safety	751,233	722,241	-	-	751,233	722,241
Public works	3,214,171	3,023,571	-	-	3,214,171	3,023,571
Culture and recreation	371,875	352,935	-	-	371,875	352,935
Community and economic development	68,468	58,728	-	-	68,468	58,728
General government	549,326	662,987	-	-	549,326	662,987
Interest on long-term debt	170,214	41,580	223,113	199,306	393,327	240,886
Electric	-	-	3,564,162	2,989,732	3,564,162	2,989,732
Water	-	-	691,627	564,143	691,627	564,143
Sewer	-	-	961,013	922,047	961,013	922,047
Community center	-	-	288,609	256,959	288,609	256,959
Fitness center	-	-	183,518	-	183,518	-
Total	<u>5,125,287</u>	<u>4,862,042</u>	<u>5,912,042</u>	<u>4,932,187</u>	<u>11,037,329</u>	<u>9,794,229</u>
Change in net assets before capital transfers	(1,892,765)	(1,425,541)	240,421	(354,753)	(1,652,344)	(1,780,294)
Capital transfers to business type activities	(5,270,000)	-	5,270,000	-	-	-
Net assets, beginning of year	<u>20,028,388</u>	<u>21,453,929</u>	<u>39,965,059</u>	<u>40,319,812</u>	<u>59,993,447</u>	<u>61,773,741</u>
Net assets, end of year	<u>\$12,865,623</u>	<u>\$20,028,388</u>	<u>\$45,475,480</u>	<u>\$39,965,059</u>	<u>\$58,341,103</u>	<u>\$59,993,447</u>

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Government-Wide Financial Analysis, continued

Net assets of governmental activities decreased approximately \$7,163,000 during the year. Revenues for governmental activities decreased by approximately \$204,000 over the prior year, with tax increment financing decreasing approximately \$77,000 due to the expiration of several rebate agreements. Property tax increased approximately \$62,000 due to an increase in property tax rates in the current year.

The cost of all governmental activities this year was approximately \$5,100,000 compared to approximately \$4,900,000 last year. Public works expenses increased by approximately \$191,000 due to various street projects and equipment purchases. Interest on long term debt increased by approximately \$128,000 due to the issuance of general obligation bonds and capital loan notes in the current year.

Net assets of business type activities increased approximately \$5,511,000 during the year. Electric revenues increased by approximately \$936,000 from the prior year due to sales of excess generation and the utilization of transmission assets. Expenses for business type activities increased by approximately \$980,000 due to the expansion project at the South Slope Wastewater Treatment Plant.

Individual Major Fund Analysis

The General Fund showed an increase in fund balance of \$127,195 at June 30, 2008. Revenues increased 0.10% while expenditures decreased 1.21%. Other financing sources remained unchanged at \$6,800.

The Road Use Tax Fund, which accounts for road construction and maintenance, had a decrease in fund balance of \$127,619 at June 30, 2008.

The Sales Tax Projects Fund, which accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used, had a decrease in fund balance of \$106,735 at June 30, 2008.

The Electric Fund, which accounts for the operation and maintenance of the City's electric system, had net assets of \$17,650,883 at June 30, 2008 compared to net assets of \$17,597,394 at June 30, 2007.

The Water Fund, which accounts for the operation and maintenance of the City's water system, had net assets of \$8,002,613 at June 30, 2008 compared to net assets of \$8,152,785 at June 30, 2007.

The Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had net assets of \$18,173,688 at June 30, 2008 compared to net assets of \$13,196,661 at June 30, 2007.

The Community Center Fund, which accounts for the operation of the City's Community Center, had net assets of \$994,400 at June 30, 2008 compared to net assets of \$1,018,219 at June 30, 2007.

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

Individual Major Fund Analysis, continued

The Fitness Center Fund, which accounts for the operation of the City's Fitness Center, had net assets of \$653,896 at June 30, 2008 compared to net assets of \$0 at June 30, 2007.

Budgetary Highlights

The City's receipts were \$925,659 more than budgeted receipts, a variance of 10.9%. The most significant variance resulted from having more charges for service and use of money than originally anticipated. The budget included proprietary investment income and miscellaneous income within charges for service.

The City's disbursements were \$4,368,903 less than budgeted disbursements, a variance of 26.3%. Disbursements for capital projects were \$795,567 less than budgeted due to projects not completed as anticipated.

Additionally, disbursements for business type activities were \$2,810,738 less than budgeted due to less than anticipated spending and the sewer extension project having significant disbursements after year end.

Capital Assets and Debt Administration

The City's capital assets include land, infrastructure, buildings, equipment and vehicles as well as construction in progress. Capital assets of governmental activities totaled \$15,008,684, net of accumulated depreciation, at June 30, 2008. Capital assets of business type activities totaled \$44,007,204, net of accumulated depreciation, at June 30, 2008. Construction in progress at June 30, 2008 consists primarily of an expansion of a wastewater treatment plant. See notes 3, 10 and 11 to the financial statements for more information about the City's capital assets.

At June 30, 2008, the City had \$5,810,582 in total long-term debt outstanding for governmental activities. The City also had \$4,683,991 in total long-term debt outstanding for business type activities. General obligation bonds in the amount of \$4,685,000 and capital loan notes in the amount of \$500,000 were issued during the current fiscal year. Additional information about the City's long-term debt is presented in note 4 to the financial statements.

The Future of the City of Eldridge, Iowa

The City of Eldridge, Iowa remains in a strong position to continue operations into the next fiscal year. Taxable values increased by nearly \$14,000,000 as of January 1, 2007. This is an increase of 6.8% over the 2006 valuations. Debt service valuations increased by

CITY OF ELDRIDGE, IOWA

Management's Discussion and Analysis

The Future of the City of Eldridge, Iowa continued

\$24,000,000 or 10.9% over 2006 levels. These increases will provide sufficient property tax dollars for future operations. The projected tax levy rates per \$1,000 of taxable value for the 2008-2009 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$6.29
Tort Liability Levy	0.13
Debt Service Levy	<u>0.23</u>
Total Tax Levy	<u>\$6.65</u>
Agricultural Land Levy	<u>\$2.58</u>

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact either the City Clerk or the City Administrator at City Hall, 305 N Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd
City Administrator

CITY OF ELDRIDGE, IOWA

Statement of Net Assets

June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and investments	\$ 3,849,041	\$ 4,978,409	\$ 8,827,450
Receivables:			
Property tax:			
Current year	39,601	-	39,601
Succeeding year	1,509,163	-	1,509,163
Other tax	48,983	-	48,983
Customer accounts and unbilled usage	-	533,202	533,202
Accounts	33,570	-	33,570
Accrued interest	14,024	53,105	67,129
Due from other funds	(133,009)	133,009	-
Inventories	27,474	444,079	471,553
Prepaid insurance	38,387	35,043	73,430
Other assets	11	12	23
Restricted cash and investments	-	1,007,377	1,007,377
Construction in progress	4,867	4,236,105	4,240,972
Capital assets, net of accumulated depreciation	<u>15,003,817</u>	<u>39,771,099</u>	<u>54,774,916</u>
Total assets	<u>20,435,929</u>	<u>51,191,440</u>	<u>71,627,369</u>
<u>Liabilities</u>			
Accounts payable	100,055	806,928	906,983
Accrued interest payable	18,231	4,597	22,828
Salaries and benefits payable	11,551	20,202	31,753
Accrued expenses	1,124	51,081	52,205
Deferred revenue:			
Succeeding year property tax	1,509,163	-	1,509,163
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	55,065	55,065
General obligation bonds and note	420,000	-	420,000
Revenue bonds	-	355,000	355,000
Capital lease	7,558	3,587	11,145
Compensated absences	54,433	42,997	97,430
Portion due or payable after one year:			
General obligation bonds and note	5,375,000	-	5,375,000
Revenue bonds	-	4,320,000	4,320,000
Capital lease	8,024	5,404	13,428
Compensated absences	<u>65,167</u>	<u>51,099</u>	<u>116,266</u>
Total liabilities	<u>7,570,306</u>	<u>5,715,960</u>	<u>13,286,266</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	14,298,102	39,323,225	53,621,327
Restricted for:			
Road purposes	730,536	-	730,536
Revenue bond retirement	-	592,715	592,715
Unrestricted	<u>(2,163,015)</u>	<u>5,559,540</u>	<u>3,396,525</u>
Total net assets	<u>\$12,865,623</u>	<u>\$45,475,480</u>	<u>\$58,341,103</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Activities

Year Ended June 30, 2008

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Public safety	\$ 751,233	\$ 102,278	\$ 1,950
Public works	3,214,171	211,499	-
Culture and recreation	371,875	86,166	18,025
Community and economic development	68,468	500	-
General government	549,326	86,438	147,759
Interest on long-term debt	170,214	-	-
Total governmental activities	<u>5,125,287</u>	<u>486,881</u>	<u>167,734</u>
Business type activities:			
Electric	3,564,162	3,518,464	192
Water	691,627	643,661	-
Sewer	961,013	633,301	-
Community center	288,609	240,931	-
Fitness center	183,518	201,060	-
Interest on long-term debt	223,113	-	-
Total business type activities	<u>5,912,042</u>	<u>5,237,417</u>	<u>192</u>
Total	<u>\$ 11,037,329</u>	<u>\$ 5,724,298</u>	<u>\$ 167,926</u>

General revenues:

- Property tax levied for:
 - General purpose
 - Debt service
- Tax increment financing
- Franchise tax
- Road use tax
- Local option sales tax
- Assessments
- Interest on investments
- Transfers
- Miscellaneous

Total general revenues

Change in net assets before capital transfers

Capital transfers to business type activities

Net assets, beginning of year

Net assets, end of year

See accompanying notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(647,005)	\$ -	\$(647,005)
(3,002,672)	-	(3,002,672)
(267,684)	-	(267,684)
(67,968)	-	(67,968)
(315,129)	-	(315,129)
(170,214)	-	(170,214)
(4,470,672)	-	(4,470,672)
-	(45,506)	(45,506)
-	(47,966)	(47,966)
-	(327,712)	(327,712)
-	(47,678)	(47,678)
-	17,542	17,542
-	(223,113)	(223,113)
(-)	(674,433)	(674,433)
(4,470,672)	(674,433)	(5,145,105)
1,372,169	-	1,372,169
51,912	-	51,912
256,816	-	256,816
45,502	-	45,502
411,829	-	411,829
703,835	-	703,835
7,601	-	7,601
107,241	256,961	364,202
(543,200)	543,200	-
164,202	114,693	278,895
2,577,907	914,854	3,492,761
(1,892,765)	240,421	(1,652,344)
(5,270,000)	5,270,000	-
20,028,388	39,965,059	59,993,447
\$ 12,865,623	\$ 45,475,480	\$ 58,341,103

CITY OF ELDRIDGE, IOWA

Balance Sheet –
Governmental Funds

June 30, 2008

Assets	Special Revenue			Other Nonmajor Governmental Funds	Total All Funds
	General Fund	Road Use Tax Fund	Sales Tax Projects Fund		
Cash and investments	\$1,115,109	\$ 801,223	\$ 837,687	\$1,095,022	\$3,849,041
Receivables:					
Property tax:					
Current year	21,089	-	-	18,512	39,601
Succeeding year	1,453,923	-	-	55,240	1,509,163
Other tax	-	-	48,983	-	48,983
Accounts	27,657	-	5,913	-	33,570
Accrued interest	14,024	-	-	-	14,024
Inventories	27,474	-	-	-	27,474
Prepaid insurance	38,387	-	-	-	38,387
Other assets	11	-	-	-	11
Total assets	<u>\$2,697,674</u>	<u>\$ 801,223</u>	<u>\$ 892,583</u>	<u>\$1,168,774</u>	<u>\$5,560,254</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 13,652	\$ 70,687	\$ 12,136	\$ 3,580	\$ 100,055
Accrued interest payable	-	-	-	18,231	18,231
Salaries and benefits payable	11,551	-	-	-	11,551
Accrued expenses	1,124	-	-	-	1,124
Due to other funds	29,316	-	-	103,693	133,009
Deferred revenue:					
Succeeding year property tax	1,453,923	-	-	55,240	1,509,163
Compensated absences	54,433	-	-	-	54,433
Total liabilities	<u>1,563,999</u>	<u>70,687</u>	<u>12,136</u>	<u>180,744</u>	<u>1,827,566</u>
Fund balances:					
Restricted for:					
Road purposes	-	730,536	-	-	730,536
Unrestricted:					
Designated for:					
Equipment replacement	253,156	-	-	-	253,156
Capital projects	-	-	-	587,404	587,404
Other purposes	-	-	880,447	509,829	1,390,276
Undesignated	880,519	-	-	(109,203)	771,316
Total fund balances	<u>1,133,675</u>	<u>730,536</u>	<u>880,447</u>	<u>988,030</u>	<u>3,732,688</u>
Total liabilities and fund balances	<u>\$2,697,674</u>	<u>\$ 801,223</u>	<u>\$ 892,583</u>	<u>\$1,168,774</u>	<u>\$5,560,254</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2008

Total governmental fund balance (page 14) \$ 3,732,688

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
current financial resources and, therefore, are not
reported in the funds. The cost of the assets is
\$27,122,600 and the accumulated depreciation is
\$12,118,783. The cost of assets under construction is
\$4,867. 15,008,684

Long-term liabilities, including bonds payable, capital
leases and compensated absences are not due and
payable in the current period and, therefore, are not
reported as liabilities in the funds. (5,875,749)

Net assets of governmental activities (page 11) \$ 12,865,623

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenditures
and Changes in Fund Balances –
Governmental Funds

Year Ended June 30, 2008

		<u>Special Revenue</u>			
	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Sales Tax Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total All Funds</u>
Property tax	\$1,372,169	\$ -	\$ -	\$ 51,912	\$1,424,081
Tax increment financing	-	-	-	256,816	256,816
Other taxes	45,502	-	659,636	51,800	756,938
Licenses and permits	107,579	-	-	-	107,579
Rent	28,256	-	-	12,628	40,884
Intergovernmental	3,450	411,828	-	-	415,278
Charges for service	379,301	-	-	-	379,301
Interest on investments	107,241	-	-	-	107,241
Miscellaneous	117,618	-	147,759	22,226	287,603
Total revenues	<u>2,161,116</u>	<u>411,828</u>	<u>807,395</u>	<u>395,382</u>	<u>3,775,721</u>
Expenditures:					
Operating:					
Public safety	681,247	-	-	30,000	711,247
Public works	637,761	118,906	-	56,651	813,318
Culture and recreation	356,669	-	-	-	356,669
Community and economic development	52,670	-	-	16,150	68,820
General government	269,617	-	77,671	153,328	500,616
Debt service	8,519	-	-	423,814	432,333
Capital projects	34,238	395,541	121,459	657,493	1,208,731
Total expenditures	<u>2,040,721</u>	<u>514,447</u>	<u>199,130</u>	<u>1,337,436</u>	<u>4,091,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>120,395</u>	<u>(102,619)</u>	<u>608,265</u>	<u>(942,054)</u>	<u>(316,013)</u>
Other financing sources (uses):					
Operating transfers in	161,685	-	-	190,000	351,685
Operating transfers out	(154,885)	(25,000)	(715,000)	-	(894,885)
General obligation bonds/notes issued	4,685,000	-	-	500,000	5,185,000
Capital transfer to proprietary funds	(4,685,000)	-	-	-	(4,685,000)
Total other financing sources (uses)	<u>6,800</u>	<u>(25,000)</u>	<u>(715,000)</u>	<u>690,000</u>	<u>(43,200)</u>
Net change in fund balances	127,195	(127,619)	(106,735)	(252,054)	(359,213)
Fund balances, beginning of year	<u>1,006,480</u>	<u>858,155</u>	<u>987,182</u>	<u>1,240,084</u>	<u>4,091,901</u>
Fund balances, end of year	<u>\$1,133,675</u>	<u>\$ 730,536</u>	<u>\$ 880,447</u>	<u>\$ 988,030</u>	<u>\$3,732,688</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities

Year Ended June 30, 2008

Net change in fund balances – total governmental funds (page 16) \$(359,213)

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate
those expenditures over the life of the assets. Depreciation
expense exceeded capital outlay expenditures in the current
year as follows:

Depreciation expense	(2,040,193)
Expenditures for capital assets	783,920
Loss on disposition cost of capital assets	(34,359)
	<u>(1,290,632)</u>

Proceeds from issuing long-term liabilities provide current
financial resources to governmental funds, but issuing debt
increases long-term liabilities in the statement of net assets.
Repayment of long-term liabilities is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets. Current year issues
exceed repayments, as follows:

Bonds issued	(4,685,000)
Capital loan notes issued	(500,000)
Bond proceeds transferred to proprietary funds	4,685,000
Bond principal	255,000
Capital lease	7,119
Compensated absences	(5,039)
	<u>(242,920)</u>

Change in net assets of governmental activities (page 13) \$(1,892,765)

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Net Assets –
Proprietary Funds

June 30, 2008

<u>Assets</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Cash and investments	\$ 1,831,167	\$ 232,376	\$ 2,729,125
Receivables:			
Customer accounts and unbilled usage	372,104	83,637	77,461
Accrued interest	412	22	48,710
Due from other funds	231,650	(202,334)	103,693
Inventories	395,928	30,453	8,896
Prepaid insurance	13,970	6,221	8,683
Other assets	12	-	-
Restricted assets:			
Cash and investments	577,955	155,417	274,005
Construction in progress	59,520	-	4,176,585
Capital assets (net of accumulated depreciation)	<u>17,719,152</u>	<u>8,735,464</u>	<u>11,843,332</u>
Total assets	<u>21,201,870</u>	<u>9,041,256</u>	<u>19,270,490</u>
<u>Liabilities</u>			
Accounts payable	46,487	97,139	649,334
Salaries and benefits payable	11,443	1,087	1,103
Accrued expenses	51,081	-	-
Payable from restricted assets:			
Customer deposits	37,880	17,185	-
Revenue bonds and notes	190,000	85,000	80,000
Accrued interest payable	-	3,232	1,365
Capital lease	-	-	-
Compensated absences	42,997	-	-
Long-term liabilities:			
Revenue bonds and notes	3,120,000	835,000	365,000
Capital lease	-	-	-
Compensated absences	<u>51,099</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,550,987</u>	<u>1,038,643</u>	<u>1,096,802</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	14,468,684	7,815,464	15,574,917
Restricted for revenue bond retirement	350,075	50,000	192,640
Unrestricted:			
Designated for:			
Equipment replacement	243,123	9,910	98,300
Capital projects	(109,380)	-	1,393,690
Undesignated	<u>2,698,381</u>	<u>127,239</u>	<u>914,141</u>
Total net assets	<u>\$17,650,883</u>	<u>\$ 8,002,613</u>	<u>\$18,173,688</u>

See accompanying notes to financial statements.

Community Center <u>Fund</u>	Fitness Center <u>Fund</u>	Total All <u>Funds</u>
\$ 104,826	\$ 80,915	\$ 4,978,409
-	-	533,202
3,961	-	53,105
-	-	133,009
7,184	1,618	444,079
4,617	1,552	35,043
-	-	12
-	-	1,007,377
-	-	4,236,105
<u>888,534</u>	<u>584,617</u>	<u>39,771,099</u>
<u>1,009,122</u>	<u>668,702</u>	<u>51,191,440</u>
11,369	2,599	806,928
3,353	3,216	20,202
-	-	51,081
-	-	55,065
-	-	355,000
-	-	4,597
-	3,587	3,587
-	-	42,997
-	-	4,320,000
-	5,404	5,404
<u>-</u>	<u>-</u>	<u>51,099</u>
<u>14,722</u>	<u>14,806</u>	<u>5,715,960</u>
888,534	575,626	39,323,225
-	-	592,715
-	-	351,333
-	-	1,284,310
<u>105,866</u>	<u>78,270</u>	<u>3,923,897</u>
\$ <u>994,400</u>	\$ <u>653,896</u>	\$ <u>45,475,480</u>

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenses and Changes in Fund Net Assets –
Proprietary Funds

Year Ended June 30, 2008

	Electric <u>Fund</u>	Water <u>Fund</u>	Sewer <u>Fund</u>
Operating revenues:			
Charges for service	\$ 3,518,464	\$ 643,661	\$ 633,301
Miscellaneous	<u>82,155</u>	<u>26,685</u>	<u>3,104</u>
Total operating revenues	<u>3,600,619</u>	<u>670,346</u>	<u>636,405</u>
Operating expenses:			
Business type activities:			
Cost of sales and services	3,089,294	438,703	388,216
Depreciation	<u>474,868</u>	<u>252,924</u>	<u>572,797</u>
Total operating expenses	<u>3,564,162</u>	<u>691,627</u>	<u>961,013</u>
Operating income (loss)	<u>36,457</u>	<u>(21,281)</u>	<u>(324,608)</u>
Non-operating revenues (expenses):			
Interest on investments	87,854	4,623	141,910
Interest expense	<u>(152,157)</u>	<u>(52,179)</u>	<u>(18,475)</u>
Total non-operating revenues (expenses)	<u>(64,303)</u>	<u>(47,556)</u>	<u>123,435</u>
Other financing sources (uses):			
Operating transfers in	452,865	39,252	513,500
Operating transfers out	<u>(371,530)</u>	<u>(120,587)</u>	<u>(20,300)</u>
Total other financing sources (uses)	<u>81,335</u>	<u>(81,335)</u>	<u>493,200</u>
Change in net assets	53,489	(150,172)	292,027
Capital transfer from governmental funds	-	-	4,685,000
Net assets, beginning of year	<u>17,597,394</u>	<u>8,152,785</u>	<u>13,196,661</u>
Net assets, end of year	<u>\$17,650,883</u>	<u>\$ 8,002,613</u>	<u>\$18,173,688</u>

See accompanying notes to financial statements.

Community Center <u>Fund</u>	Fitness Center <u>Fund</u>	Total All <u>Funds</u>
\$ 240,931	\$ 201,060	\$ 5,237,417
<u>1,285</u>	<u>1,656</u>	<u>114,885</u>
<u>242,216</u>	<u>202,716</u>	<u>5,352,302</u>
259,906	172,135	4,348,254
<u>28,703</u>	<u>11,383</u>	<u>1,340,675</u>
<u>288,609</u>	<u>183,518</u>	<u>5,688,929</u>
(46,393)	19,198	(336,627)
22,574	-	256,961
<u>-</u>	(302)	(223,113)
<u>22,574</u>	(302)	<u>33,848</u>
-	50,000	1,055,617
<u>-</u>	<u>-</u>	(512,417)
<u>-</u>	<u>50,000</u>	<u>543,200</u>
(23,819)	68,896	240,421
-	585,000	5,270,000
<u>1,018,219</u>	<u>-</u>	<u>39,965,059</u>
<u>\$ 994,400</u>	<u>\$ 653,896</u>	<u>\$45,475,480</u>

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –
Proprietary Funds

Year Ended June 30, 2008

	Electric Fund	Water Fund	Sewer Fund
Cash flows from operating activities:			
Cash received from customers and users	\$3,484,176	\$ 652,073	\$ 632,683
Cash received from other revenues	82,155	26,685	3,104
Cash paid for personal services	(244,055)	(139,921)	(213,007)
Cash paid to suppliers	(2,742,010)	(224,096)	(180,748)
Net cash provided (used) by operating activities	<u>580,266</u>	<u>314,741</u>	<u>242,032</u>
Cash flows from noncapital financing activities:			
Advances from other funds, net of advance repayments	<u>81,335</u>	(81,335)	<u>493,200</u>
Cash flows from capital and related financing activities:			
Capital transfer from governmental funds	-	-	4,685,000
Acquisition of capital assets	(278,682)	(95,050)	(3,126,458)
Principal paid on revenue bonds and capital lease	(180,000)	(80,000)	(80,000)
Amounts paid (to) from other funds	(381,746)	592,644	(338,158)
Interest paid on revenue bonds and capital lease	(164,949)	(41,625)	(18,666)
Other interest	<u>-</u>	(10,791)	<u>-</u>
Net cash (used) provided by capital and related financing activities	<u>(1,005,377)</u>	<u>365,178</u>	<u>1,121,718</u>
Cash flows provided by investing activities:			
Interest on investments	<u>128,903</u>	<u>6,783</u>	<u>115,742</u>
Net (decrease) increase in cash and investments	(214,873)	605,367	1,972,692
Cash and investments, beginning of year	<u>2,623,995</u>	(217,574)	<u>1,030,438</u>
Cash and investments, end of year	<u>\$2,409,122</u>	<u>\$ 387,793</u>	<u>\$3,003,130</u>

See accompanying notes to financial statements.

Community Center <u>Fund</u>	Fitness Center <u>Fund</u>	Total All <u>Funds</u>
\$ 240,931	\$ 201,060	\$5,210,923
1,285	1,656	114,885
(126,527)	(88,760)	(812,270)
(121,026)	(80,730)	(3,348,610)
(5,337)	33,226	1,164,928
<u>-</u>	<u>50,000</u>	<u>543,200</u>
-	-	4,685,000
-	-	(3,500,190)
-	(2,009)	(342,009)
-	-	(127,260)
-	(302)	(225,542)
<u>-</u>	<u>-</u>	<u>(10,791)</u>
<u>-</u>	<u>(2,311)</u>	<u>479,208</u>
<u>24,248</u>	<u>-</u>	<u>275,676</u>
18,911	80,915	2,463,012
<u>85,915</u>	<u>-</u>	<u>3,522,774</u>
\$ <u>104,826</u>	\$ <u>80,915</u>	\$ <u>5,985,786</u>

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –
Proprietary Funds, continued

Year Ended June 30, 2008

	Electric Fund	Water Fund	Sewer Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 36,457	\$(21,281)	\$(324,608)
Adjustments to reconcile operating income (loss) to net cash provided used by operating activities:			
Depreciation expense	474,868	252,924	572,797
(Increase) decrease in customer accounts and unbilled usage receivable	(37,238)	7,512	(618)
Decrease (increase) in inventories	39,907	12,350	-
(Increase) decrease in prepaid insurance	(2,038)	(110)	(1,258)
Decrease in other assets	140	-	-
Increase (decrease) in accounts payable	40,336	61,508	(5,155)
Increase (decrease) in accrued wages	11,351	938	(229)
(Decrease) increase in accrued expenses	(98)	-	1,103
Increase in customer deposits	2,950	900	-
Increase in compensated absences	<u>13,631</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	\$ <u>580,266</u>	\$ <u>314,741</u>	\$ <u>242,032</u>
Reconciliation of cash and investments at year end to specific assets included on the statement of net assets:			
Current assets:			
Cash and investments	\$ 1,831,167	\$ 232,376	\$ 2,729,125
Restricted assets:			
Cash and investments:			
Revenue bond retirement	540,075	138,232	274,005
Customer deposits	<u>37,880</u>	<u>17,185</u>	<u>-</u>
Cash and investments, end of year	\$ <u>2,409,122</u>	\$ <u>387,793</u>	\$ <u>3,003,130</u>

See accompanying notes to financial statements.

Community Center <u>Fund</u>	Fitness Center <u>Fund</u>	Total All <u>Funds</u>
\$ (46,393)	\$ 19,198	\$ (336,627)
28,703	11,383	1,340,675
-	-	(30,344)
602	(1,618)	51,241
1,225	(1,552)	(3,733)
-	-	140
9,717	2,599	109,005
809	3,216	16,085
-	-	1,005
-	-	3,850
<u>-</u>	<u>-</u>	<u>13,631</u>
\$ (<u>5,337</u>)	\$ <u>33,226</u>	\$ <u>1,164,928</u>
\$ 104,826	\$ 80,915	\$ 4,978,409
-	-	952,312
<u>-</u>	<u>-</u>	<u>55,065</u>
\$ <u>104,826</u>	\$ <u>80,915</u>	\$ <u>5,985,786</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

June 30, 2008

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home Rule provisions of the Constitution of Iowa. The City also operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, recreation, community and economic development and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

(a) Reporting Entity

For financial reporting purposes, the City of Eldridge, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

(b) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Government-wide Financial Statements, continued

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and; 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the General Fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid through other funds.

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Fund Financial Statements, continued

Special Revenue Funds

The Road Use Tax Fund is used to account for road construction and maintenance.

The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

Electric Fund

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

Water Fund

The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund

The Community Center Fund is used to account for the operation of the City's Community Center.

Fitness Center Fund

The Fitness Center Fund is used to account for the operation of the City's fitness center.

(c) Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(c) Measurement Focus and Basis of Accounting, continued

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues expenses.

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(c) Measurement Focus and Basis of Accounting, continued

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

(d) Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Taxes Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2008 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments, are based on January 1, 2006 assessed property valuations, are for the tax accrual period July 1, 2007 through June 30, 2008 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2007.

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets in governmental funds include funds set aside for road purposes. Funds set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Capital Assets, continued

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-40 years

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and comp time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Compensated Absences, continued

City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Comp time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued comp time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

Fund Equity

In the governmental fund financial statements, restrictions of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(e) Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

(2) Cash and Investments

(a) Deposit Accounts

The City's cash and investments at June 30, 2008 consist of the following:

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(2) Cash and Investments, continued

(a) Deposit Accounts, continued

Petty cash fund on hand	\$ 830
Checking accounts	1,988,498
Money market accounts	3,393,121
Certificates of deposit	<u>4,452,378</u>
	<u>\$9,834,827</u>

At June 30, 2008, the carrying amount of the City's deposits was \$5,381,619 and the related bank balance was \$5,471,349.

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(b) Investments

The City's investments at June 30, 2008 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of deposit	\$4,452,378	\$4,452,378

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 5,794	\$ 152,932	\$ (153,859)	\$ 4,867
Land	<u>1,220,500</u>	<u>-</u>	<u>-</u>	<u>1,220,500</u>
Total capital assets not being depreciated	<u>1,226,294</u>	<u>152,932</u>	<u>(153,859)</u>	<u>1,225,367</u>
Capital assets being depreciated:				
Buildings	1,478,800	-	-	1,478,800
Equipment and vehicles	923,347	45,988	(78,022)	891,313
Infrastructure, road network	<u>23,378,128</u>	<u>153,859</u>	<u>-</u>	<u>23,531,987</u>
Total capital assets being depreciated	25,780,275	199,847	(78,022)	25,902,100
Less accumulated depreciation	<u>10,122,253</u>	<u>2,040,193</u>	<u>(43,663)</u>	<u>12,118,783</u>
Total capital assets being depreciated, net	<u>15,658,022</u>	<u>(1,840,346)</u>	<u>(34,359)</u>	<u>13,783,317</u>
Governmental activities capital assets, net	\$ <u>16,884,316</u>	\$ <u>(1,687,414)</u>	\$ <u>(188,218)</u>	\$ <u>15,008,684</u>
Business type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 832,869	\$ 3,994,954	\$ (591,718)	\$ 4,236,105
Land	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total capital assets not being depreciated	<u>832,869</u>	<u>4,114,954</u>	<u>(591,718)</u>	<u>4,356,105</u>
Capital assets being depreciated:				
Buildings	28,374,378	1,013,226	-	29,387,604
Equipment and vehicles	874,778	205,738	-	1,080,516
Infrastructure, water and sewer network	<u>16,515,410</u>	<u>-</u>	<u>-</u>	<u>16,515,410</u>
Total capital assets being depreciated	45,764,566	1,218,964	-	46,983,530
Less accumulated depreciation	<u>5,991,756</u>	<u>1,340,675</u>	<u>-</u>	<u>7,332,431</u>
Total capital assets being depreciated, net	<u>39,772,810</u>	<u>(121,711)</u>	<u>-</u>	<u>39,651,099</u>
Business type activities capital assets, net	\$ <u>40,605,679</u>	\$ <u>3,993,243</u>	\$ <u>(591,718)</u>	\$ <u>44,007,204</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(3) Capital Assets, continued

Depreciation expense for the year ended June 30, 2008 was charged to functions of the City as follows:

Governmental activities:

Public safety	\$ 15,461
Public works	1,971,020
General government	40,762
Culture and recreation	12,950
Total governmental activities	<u>\$2,040,193</u>

Business type activities:

Electric	\$ 474,868
Water	252,924
Sewer	572,797
Community center	28,703
Fitness center	11,383
Total business type activities	<u>\$1,340,675</u>

(4) Long-term Liabilities

A summary of transactions that occurred regarding bond obligations for the year ended June 30, 2008 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	<u>\$ 865,000</u>	<u>\$5,185,000</u>	<u>\$ 255,000</u>	<u>\$5,795,000</u>	<u>\$ 420,000</u>
Business type activities:					
Revenue bonds	<u>\$5,015,000</u>	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$4,675,000</u>	<u>\$ 355,000</u>

General Obligation Bonds

Three issues of unmatured general obligation bonds, totaling \$5,380,000 were outstanding at June 30, 2008. These bonds bear interest at rates ranging from 2.70% to 4.40% and mature in varying annual amounts from \$70,000 to \$520,000, with the final maturities due in the year ending June 30, 2027.

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(4) Long-term Liabilities, continued

General Obligation Bonds, continued

Details of the general obligation bonds payable at June 30, 2008 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2008</u>
GO Refunding Bonds, Series 2001	November 15, 2001	2.70- 4.40%	June 1, 2013	\$ 80,000- 100,000	\$1,010,000	\$ 480,000
GO Refunding Urban Renewal Bonds, Series 2001A	November 15, 2001	2.75- 3.90%	June 1, 2011	\$ 70,000- 85,000	\$ 735,000	215,000
GO Bonds, Series 2007	November 15, 2007	4.00- 4.25%	June 1, 2027	\$ 80,000- 520,000	\$4,685,000	<u>4,685,000</u> <u>\$5,380,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 245,000	\$ 218,786	\$ 463,786
2010	275,000	209,211	484,211
2011	275,000	198,251	473,251
2012	235,000	187,121	422,121
2013	335,000	177,436	512,436
2014-2018	1,755,000	649,480	2,404,480
2019-2023	1,150,000	378,980	1,528,980
2024-2027	<u>1,110,000</u>	<u>118,885</u>	<u>1,228,885</u>
	<u>\$5,380,000</u>	<u>\$2,138,150</u>	<u>\$7,518,150</u>

General Obligation Capital Loan Notes

Details of the general obligation capital loan notes payable June 30, 2008 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2008</u>
Go Capital Loan Notes, Series 2007	September 4, 2007	3.90%	December 1, 2010	\$ 75,000- 175,000	\$ 500,000	\$ <u>415,000</u>

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(4) Long-term Liabilities, continued

General Obligation Capital Loan Notes, continued

A summary of the annual general obligation capital loan notes principal and interest requirement to maturity by year is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 175,000	\$ 14,737	\$ 189,737
2010	165,000	7,814	172,814
2011	75,000	1,385	76,385
	<u>\$ 415,000</u>	<u>\$ 23,936</u>	<u>\$ 438,936</u>

Revenue Bonds

Three issues of unmatured revenue bonds, totaling \$4,675,000 were outstanding at June 30, 2008. These bonds bear interest at rates ranging from 1.75% to 4.60% and mature in varying annual amounts from \$70,000 to \$335,000, with the final maturities due in the year ending June 30, 2021.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the water, sewer and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.
- b) Sufficient water, sewer and electric rates will be imposed to maintain a net revenue balance equal to at least 125% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water, sewer and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) A sewer debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds or 10% of the original principal amount of the bonds.
- e) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the original principal amount

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(4) Long-term Liabilities, continued

Revenue Bonds, continued

of the bonds or 125% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2008, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2008 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2008</u>
Water Revenue Bonds, Series 2002	August 20, 2002	2.00- 4.60%	June 1, 2017	\$ 70,000- 125,000	\$1,380,000	\$ 920,000
Sewer Revenue Refunding Bonds, Series 2003	May 1, 2003	1.75- 4.00%	June 1, 2013	75,000- 100,000	765,000	445,000
Electric Revenue Bonds, Series 2006	August 29, 2006	4.38- 4.50%	June 1, 2021	\$175,000- 335,000	\$3,665,000	<u>3,310,000</u> <u>\$4,675,000</u>

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 355,000	\$ 200,801	\$ 555,801
2010	375,000	186,784	561,784
2011	385,000	171,594	556,594
2012	405,000	155,680	560,680
2013	425,000	138,674	563,674
2014-2018	1,770,000	444,877	2,214,877
2019-2022	<u>960,000</u>	<u>87,369</u>	<u>1,047,369</u>
	<u>\$4,675,000</u>	<u>\$1,385,779</u>	<u>\$6,060,779</u>

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(5) Capital Leases Payable

A summary of capital lease obligations at June 30, 2008 is as follows:

Capital lease payable to leasing company, due in annual installments of \$8,519, including interest at 6.00%, through May 2010, secured by equipment	\$15,582
Capital lease payable to leasing company, due in monthly installments of \$330, including interest at 5.01%, through November 2010, secured by equipment	<u>8,991</u>
Total capital lease obligations	24,573
Less current installments	<u>11,145</u>
Capital lease obligations, net of current installments	<u>\$13,428</u>

Annual maturities of capital lease obligations for each of the years subsequent to June 30, 2008 are as follows:

Year Ending <u>June 30,</u>	
2009	\$11,145
2010	11,799
2011	<u>1,629</u>
	<u>\$24,573</u>

(6) Interfund Loans/Advances/Transfers

The City had several interfund loan balances during the fiscal year ended June 30, 2008 resulting from the electric fund aiding in the finance of a water tower in a prior year. The electric fund loan is scheduled to mature during the year ending June 30, 2011.

At June 30, 2008, interfund loans were as follows:

<u>Due to</u>	<u>Due From</u>	<u>Amount</u>
Electric Fund	Water Fund	\$ 202,334

CITY OF ELDRIDGE, IOWA
Notes to Financial Statements

(6) Interfund Loans/Advances/Transfers, continued

The City's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2008, interfund advances were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 29,316
Sewer Fund	Sewer Project Debt Service	103,693
Electric Fund	Electric Projects Fund	222,485
Accrued Employee Leave Fund	Utility Insurance Self Funding Fund	50
		<u>\$355,544</u>

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred during the year ended June 30, 2008 is as follows:

<u>To</u>	<u>From</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 6,800
Debt Service Fund	Sales Tax Projects Fund	65,000
Capital Projects Fund	Road Use Tax Fund	25,000
Capital Projects Fund	Sales Tax Projects Fund	100,000
Fitness Center Fund	Sales Tax Projects Fund	50,000
Sewer Fund	Sales Tax Projects Fund	500,000
Electric Fund	Water Fund	3,100
Electric Fund	Water Fund	78,235
		<u>\$828,135</u>

Capital transfers generally move governmental assets to business-type activities. During the year ended June 30, 2008, the City had two capital transfers of assets as follows:

<u>To</u>	<u>From</u>	<u>Amount</u>
Sewer Project Fund	General Fund	<u>\$4,685,000</u>

Purpose: Transfer the proceeds of the series 2007 general obligation bonds issued to pay costs of improvements and extensions to the City's sanitary sewer system, including waste water treatment plant expansions.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(6) Interfund Loans/Advances/Transfers, continued

<u>To</u>	<u>From</u>	<u>Amount</u>
Fitness Center Fund	LeClaire Road TIF Fund	\$ 585,000

Purpose: Transfer the net book value of the fitness center building and equipment acquired during the year ended June 30, 2008 with the proceeds of the series 2007 general obligation capital loan notes issued.

(7) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. The contribution rates for police employees and the City were 6.00% and 9.12%, respectively, for the year ended June 30, 2007 and 6.16% and 9.23%, respectively for the year ended, June 30, 2006. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$88,144, \$76,850 and \$78,030, respectively, equal to the required contribution for each year.

(8) Compensated Absences

The City's liability for compensated absences at June 30, 2008 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 11,847	\$ 11,562	\$ 23,410
Vacation	37,282	28,305	65,587
Compensatory Time	5,304	3,130	8,434
Sick Leave	<u>65,167</u>	<u>51,099</u>	<u>116,266</u>
	<u>\$119,600</u>	<u>\$ 94,096</u>	<u>\$213,696</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(8) Compensated Absences continued

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

(9) Risk Management

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contract Commitments

The City has entered into an agreement at an estimated cost of \$800,000 for renovation of an electric generating plant. The renovation project is being financed through revenue bonds issued in August 2006 and is recorded as a capital asset and construction in progress on the statement of net assets. As of June 30, 2008, \$651,238 had been paid towards the renovation project with \$591,718 recorded as a capital asset and \$59,520 recorded as construction in progress. The renovation project was completed in December 2008.

The City has entered into a contract in the amount of \$4,498,000 for the expansion of the waste water treatment plant. The expansion project is being financed through general obligation bonds issued in November 2007 and is recorded as construction in progress on the statement of net assets. As of June 30, 2008, \$3,251,635 had been paid towards the expansion project. The expansion project was completed in December 2008.

The City has entered into a contract in the amount of \$902,268 for improvements to the sanitary sewer system. The project is being financed through charges for services and is recorded as construction in progress on the statement of net assets. As of June 30, 2008, \$924,950 had been paid towards the improvements project. The project was completed in October 2008.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(10) Contract Commitments continued

The City has entered into a contract in the amount of \$412,294 for the resurfacing of Buttermilk Road. The resurfacing project is being financed through road use tax and sales tax. As of June 30, 2008, \$0 had been paid towards the resurfacing project. The resurfacing project was completed in September 2008.

(11) Subsequent Events

In September 2008, the City entered into a contract in the amount of \$110,867 for the installation of traffic signals. This installation project will be financed through intergovernmental taxes and is recorded as construction in progress on the statement of net assets. As of June 30, 2008, \$4,867 had been paid towards engineering costs. The installation project is expected to be completed by April 2009.

CITY OF ELDRIDGE, IOWA

Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Balances – Budget and Actual (Cash Basis) –
Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	<u>Budget</u>	Budget to Actual <u>Variance</u>
Receipts:					
Property tax	\$ 1,443,875	\$ -	\$ 1,443,875	\$ 1,412,709	\$ 31,166
Tax increment financing	265,108	-	265,108	257,000	8,108
Other taxes	757,264	-	757,264	706,986	50,278
Licenses and permits	107,579	-	107,579	136,940	(29,361)
Use of money and property	162,279	275,676	437,955	100,528	337,427
Intergovernmental	415,278	-	415,278	719,160	(303,882)
Charges for service	378,453	5,210,923	5,589,376	5,126,428	462,948
Miscellaneous	<u>271,690</u>	<u>114,885</u>	<u>386,575</u>	<u>17,600</u>	<u>368,975</u>
Total receipts	<u>3,801,526</u>	<u>5,601,484</u>	<u>9,403,010</u>	<u>8,477,351</u>	<u>925,659</u>
Disbursements:					
Public safety	724,728	-	724,728	793,666	68,938
Public works	754,915	-	754,915	857,200	102,285
Culture and recreation	356,012	-	356,012	867,890	511,878
Community and economic development	68,680	-	68,680	228,205	159,525
General government	499,563	-	499,563	531,524	31,961
Debt service	416,984	-	416,984	304,995	(111,989)
Capital projects	1,208,731	-	1,208,731	2,004,298	795,567
Business type activities	-	<u>8,239,412</u>	<u>8,239,412</u>	<u>11,050,150</u>	<u>2,810,738</u>
Total disbursements	<u>4,029,613</u>	<u>8,239,412</u>	<u>12,269,025</u>	<u>16,637,928</u>	<u>4,368,903</u>
Excess (deficiency) of receipts over (under) disbursements	(228,087)	(2,637,928)	(2,866,015)	(8,160,577)	5,294,562
Other financing sources and transfers, net	<u>84,070</u>	<u>5,100,940</u>	<u>5,185,010</u>	<u>4,950,000</u>	<u>235,010</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	(144,017)	2,463,012	2,318,995	(3,210,577)	5,529,572
Balances, beginning of year	<u>3,993,058</u>	<u>3,522,774</u>	<u>7,515,832</u>	<u>17,752,859</u>	<u>(10,237,027)</u>
Balances, end of year	<u>\$ 3,849,041</u>	<u>\$ 5,985,786</u>	<u>\$ 9,834,827</u>	<u>\$14,542,282</u>	<u>\$ (4,707,455)</u>

See accompanying independent auditor's report and notes to required supplementary
information – budgetary reporting.

CITY OF ELDRIDGE, IOWA
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,801,526	\$ (25,805)	\$ 3,775,721	\$ 5,601,484	\$ 7,779	\$ 5,609,263
Expenditures/ expenses	<u>4,029,613</u>	<u>62,121</u>	<u>4,091,734</u>	<u>8,239,412</u>	<u>(2,327,370)</u>	<u>5,912,042</u>
Net	(228,087)	(87,926)	(316,013)	(2,637,928)	2,335,149	(302,779)
Other financing sources and transfers, net	84,070	(127,270)	(43,200)	5,100,940	712,260	5,813,200
Beginning fund balances/net assets	<u>3,993,058</u>	<u>98,843</u>	<u>4,091,901</u>	<u>3,522,774</u>	<u>36,442,285</u>	<u>39,965,059</u>
Ending fund balances/net assets	\$ <u>3,849,041</u>	\$ <u>(116,353)</u>	\$ <u>3,732,688</u>	\$ <u>5,985,786</u>	\$ <u>39,489,694</u>	\$ <u>45,475,480</u>

See accompanying independent auditor's report and notes to required supplementary information – budgetary reporting.

CITY OF ELDRIDGE, IOWA

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2008

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type.

During the year ended June 30, 2008, disbursements in debt service exceeded amounts budgeted.

CITY OF ELDRIDGE, IOWA

Combining Balance Sheet –
Nonmajor Governmental Funds

June 30, 2008

<u>Assets</u>	<u>Special Revenue</u>		
	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
Cash and investments	\$ 80,133	\$ 308,570	\$ 125,386
Receivable, property tax:			
Current year	-	2,732	3,234
Succeeding year	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 80,133</u>	<u>\$ 311,302</u>	<u>\$ 128,620</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,580
Accrued interest payable	-	680	-
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>680</u>	<u>3,580</u>
Fund balances:			
Unrestricted, designated for:			
Capital projects	-	-	-
Other purposes	80,133	307,890	121,806
Undesignated	<u>-</u>	<u>2,732</u>	<u>3,234</u>
Total fund balances	<u>80,133</u>	<u>310,622</u>	<u>125,040</u>
Total liabilities and fund balances	<u>\$ 80,133</u>	<u>\$ 311,302</u>	<u>\$ 128,620</u>

See accompanying independent auditor's report.

Schedule 1

Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Sewer Project Debt Service Fund	Total
\$ 139,330	\$ 436,341	\$ 5,262	\$ -	\$1,095,022
10,000	1,733	813	-	18,512
<u>-</u>	<u>-</u>	<u>55,240</u>	<u>-</u>	<u>55,240</u>
\$ <u>149,330</u>	\$ <u>438,074</u>	\$ <u>61,315</u>	\$ <u>-</u>	\$ <u>1,168,774</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,580
-	-	1,680	15,871	18,231
-	-	-	103,693	103,693
<u>-</u>	<u>-</u>	<u>55,240</u>	<u>-</u>	<u>55,240</u>
<u>-</u>	<u>-</u>	<u>56,920</u>	<u>119,564</u>	<u>180,744</u>
149,330	438,074	-	-	587,404
-	-	-	-	509,829
<u>-</u>	<u>-</u>	<u>4,395</u>	<u>(119,564)</u>	<u>(109,203)</u>
<u>149,330</u>	<u>438,074</u>	<u>4,395</u>	<u>(119,564)</u>	<u>988,030</u>
\$ <u>149,330</u>	\$ <u>438,074</u>	\$ <u>61,315</u>	\$ <u>-</u>	\$ <u>1,168,774</u>

CITY OF ELDRIDGE, IOWA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2008

	<u>Special Revenue</u>		
	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
Revenues:			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	204,868	51,948
Other taxes	44,199	-	-
Rent	-	-	-
Miscellaneous	-	1,651	-
Total revenues	<u>44,199</u>	<u>206,519</u>	<u>51,948</u>
Expenditures:			
Operating:			
Public safety	30,000	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Community and economic development	5,000	-	-
General government	-	98,538	54,790
Debt service	-	185,319	-
Capital projects	-	585,000	-
Total expenditures	<u>35,000</u>	<u>868,857</u>	<u>54,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,199</u>	<u>(662,338)</u>	<u>(2,842)</u>
Other financing sources:			
Operating transfers in	-	-	-
General obligation capital loan notes issued	-	500,000	-
Total other financing sources	<u>-</u>	<u>500,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	9,199	(162,338)	(2,842)
Fund balances, beginning of year	<u>70,934</u>	<u>472,960</u>	<u>127,882</u>
Fund balances, end of year	<u>\$ 80,133</u>	<u>\$ 310,622</u>	<u>\$ 125,040</u>

See accompanying independent auditor's report.

Schedule 2

Capital Improvement Fund	Street Projects Fund	Debt Service Fund	Sewer Project Debt Service Fund	Total
\$ -	\$ -	\$ 51,912	\$ -	\$ 51,912
-	-	-	-	256,816
-	7,601	-	-	51,800
12,628	-	-	-	12,628
<u>16,525</u>	<u>4,050</u>	<u>-</u>	<u>-</u>	<u>22,226</u>
<u>29,153</u>	<u>11,651</u>	<u>51,912</u>	<u>-</u>	<u>395,382</u>
-	-	-	-	30,000
-	56,651	-	-	56,651
-	-	-	-	-
11,150	-	-	-	16,150
-	-	-	-	153,328
-	-	118,931	119,564	423,814
<u>72,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,493</u>
<u>83,643</u>	<u>56,651</u>	<u>118,931</u>	<u>119,564</u>	<u>1,337,436</u>
(54,490)	(45,000)	(67,019)	(119,564)	(942,054)
75,000	50,000	65,000	-	190,000
-	-	-	-	500,000
<u>75,000</u>	<u>50,000</u>	<u>65,000</u>	<u>-</u>	<u>690,000</u>
20,510	5,000	(2,019)	(119,564)	(252,054)
<u>128,820</u>	<u>433,074</u>	<u>6,414</u>	<u>-</u>	<u>1,240,084</u>
\$ <u>149,330</u>	\$ <u>438,074</u>	\$ <u>4,395</u>	\$ <u>(119,564)</u>	\$ <u>988,030</u>

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Property tax	\$1,424,081	\$1,362,577	\$1,268,026	\$1,182,351
Tax increment financing	256,816	333,971	491,543	561,576
Other taxes	756,938	729,709	716,783	643,067
License and permits	107,579	160,630	144,336	127,892
Use of money and property	148,125	167,674	134,750	77,521
Intergovernmental	415,278	407,598	409,046	388,016
Charges for service	379,301	334,206	208,551	184,126
Miscellaneous	<u>287,603</u>	<u>183,336</u>	<u>332,895</u>	<u>84,508</u>
Total	<u>\$3,775,721</u>	<u>\$3,679,701</u>	<u>\$3,705,930</u>	<u>\$3,249,057</u>
Expenditures:				
Operating:				
Public safety	\$ 711,247	\$ 706,876	\$ 682,575	\$ 698,881
Public works	1,208,859	1,040,989	520,029	597,320
Culture and recreation	356,669	344,664	232,845	213,124
Community and economic development	68,820	55,373	47,912	36,156
General government	500,616	621,626	673,350	591,459
Debt service	432,333	213,336	223,840	220,535
Capital projects	<u>813,190</u>	<u>262,939</u>	<u>219,226</u>	<u>244,551</u>
Total	<u>\$4,091,734</u>	<u>\$3,245,803</u>	<u>\$2,599,777</u>	<u>\$2,602,026</u>

See accompanying independent auditor's report.

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 26, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Eldridge, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Eldridge, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Eldridge, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldridge, Iowa and other parties to whom the City of Eldridge, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties and others authorized by management.

Bettendorf, Iowa
March 26, 2009

Gabelmann & Associates, P.C.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2008

Part I: Summary of Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.
- (e) The City of Eldridge, Iowa was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

08-II-A Segregation of Duties

Finding: The City of Eldridge, Iowa has one employee who is responsible for posting, updating and maintaining the general ledger and is also responsible for maintaining the subsidiary ledgers for cash accounts and investments. From a control standpoint, this combination of responsibilities does not effectively segregate duties to prevent losses from employee error or dishonesty. However, from a practical standpoint, strong segregation of duties is not feasible due to the limited number and capabilities of office personnel.

Recommendation: The City has a limited number of office personnel with which to attempt to implement controls to ensure that the financial data reported by management is processed in a timely and complete manner. The increased financial activity that the City is experiencing may require additional diversification of the City Clerk's responsibilities.

Response and Corrective Action Planned: True segregation of duties is not possible with available personnel. However, duties are occasionally shifted among personnel to provide cross-training.

Conclusion: Response accepted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements, continued

Significant Deficiencies, continued

08-II-B Reconciliation of General Ledger Accounts

Finding: During the audit, several errors and discrepancies in the City of Eldridge, Iowa's general ledger system were noted as follows:

- 1) The City's police department maintains two checking accounts which do not get recorded in the general ledger or reconciled by the City.
- 2) There are no detailed listings maintained for the inventory of the Sewer Fund and no physical inventory counts were taken for the inventory of the General Fund, the Electric Fund, the Water Fund and the Sewer Fund so that general ledger accounts could be adjusted.

Recommendation: Procedures should be implemented to ensure that responsibility is being assumed for the accuracy of amounts being recorded in the general ledger and that such amounts are being recorded on a timely basis. Reconciliation of general ledger accounts should be performed on a regular basis, typically monthly, with errors being investigated and corrected.

Response and Corrective Action Planned:

- 1) Staff has determined the proper way to account for the tracking of revenues and expenses as well as the inclusion of the fund balances into the bank reconciliations.
- 2) The public works departments, community center, fitness center, electric and water funds all have completed inventories. The sanitary sewer fund will have a complete inventory prior to the completion of the 2008-09 fiscal year.

Conclusion: Response accepted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2008

Part III: Other Findings Related to Required Statutory Reporting

08-III-A Certified Budget

Finding: Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response and Corrective Action Planned: Staff overlooked the fact that the initial payment for the 2007 Bonds came due before the 2007-08 fiscal year end. This is a one-time error that should not repeat in the future year.

Conclusion: Response accepted.

08-III-B Questionable Expenditures

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-III-C Travel Expense

Finding: No expenditures of City money for travel expenses of spouses of city officials or employees were noted.

08-III-D Business Transactions

Finding: No business transactions between the City and City officials or employees were noted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2008

Part III: Other Findings Related to Required Statutory Reporting, continued

08-III-E Bond Coverage

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

08-III-F Council Minutes

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

08-III-G Deposits and Investments

Finding: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

08-III-H Revenue Bonds

Finding: The City has established the sinking reserve fund as required by revenue bond provisions.

Part IV: Summary of Prior Findings

07-II-A Segregation of Duties

Comment still valid. Refer to current year finding 08-II-A.

07-II-B Reconciliation of General Ledger Accounts

Comment still valid. Refer to current year finding 08-II-B for items that remain uncorrected.